

Message Text

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51

ORIGIN EB-11

INFO OCT-01 IO-14 ISO-00 SS-20 TRSE-00 OMB-01 TAR-02

SPC-03 AGR-20 AID-20 CIAE-00 COME-00 INR-10 LAB-06

NSAE-00 OIC-04 RSC-01 SIL-01 STR-08 CIEP-02 CEA-02

AF-10 ARA-16 EA-11 EUR-25 NEA-10 L-03 H-03 PA-04

PRS-01 USIA-15 NSC-10 /234 R

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FM SECSTATE WASHDC

TO USMISSION USUN NEW YORK PRIORITY

UNCLAS STATE 231324

E.O. 11652

TAGS: UN, ECOSOC, EFIN

SUBJECT: UNGA 28: ITEM 51, UNCTAD DRAFT RESOLUTION 1304
ON MONETARY REFORM

REF: (A) USUN 4666; (B) STATE 226822; (C) USUN 5020;
(D) STATE A-8757

1. BRIEF ARGUMENTATION SUPPORTING REFTTEL B POSITION
FOLLOWS FOR YOUR USE AS REQUESTED REFTTEL C.

2. AS NOTED REFTTEL B PARA 3, OUR SUGGESTIONS ARE BASED
ESPECIALLY ON DESIRE NOT TO PREJUDGE DECISION BY C-20
AND IMF EXECUTIVE BOARD ON THESE ISSUES.

3. WE ALSO NOTE THAT FIRST OUTLINE OF REFORM PRESENTED
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TO IMF BOARD OF GOVERNORS BY THE CHAIRMAN OF THE C-20

WAS A BUREAU DRAFT AND DID NOT REFLECT AN AGREED POSITION OF THE PARTICIPATING COUNTRIES ON ANY ISSUE.

4. FOLLOWING ARGUMENTATION KEYED TO PARAGRAPHS IN ORIGINAL DRAFT, REFTEL A.

5. PARA 1 IS AT VERY LEAST OVERDRAWN IN VIEW OF LARGE BENEFITS DEVELOPING COUNTRIES HAVE RECEIVED IN 1973 FROM INTERNATIONAL TRADE, REFLECTING BOOMING CONDITIONS FOR THEIR EXPORTS. ALSO CONCERNED THAT IF ACCEPTED IT

COULD SERVE AS BASIS FOR DEMAND FOR COMPENSATION.

6. PARA 2 REFERENCE TO NEED FOR UNIVERSAL REFORMED MONETARY SYSTEM IS NOT CLEAR. IF INTENDED TO ADVOCATE INCLUSION OF COUNTRIES NOT NOW IMF MEMBERS, IT SHOULD BE NOTED THAT IMF MEMBERSHIP IS OPEN TO THOSE COUNTRIES WILLING TO UNDERTAKE REQUISITE OBLIGATIONS. WE ALSO WISH AVOID IMPLICATION THAT PRESENT MONETARY SYSTEM IS NOT BASED ON THE EQUALITY AND INTEREST OF ALL COUNTRIES.

7. REVISED PARAS 3 AND 4 AS GIVEN IN REFTEL C PARA 2 ACCEPTABLE.

8. VOTING SYSTEM REFERRED TO IN PARA 5 NOT NOW SUBJECT OF REFORM DISCUSSION. REMAINDER OF SUBJECTS REFERRED TO PARAS 5, 6, AND 7 HAVE JUST BEGUN TO BE DISCUSSED IN IMF EXECUTIVE BOARD. DRAFT RESOLUTION IN EACH CASE PREJUDGES IMF DECISIONS.

9. REFERENCE TO "BUILT-IN MECHANISMS" IN PARA 8 IMPLICITLY, AND PARA 9 EXPLICITLY, CALL FOR ESTABLISHMENT OF SDR/AID LINK. THIS CLEARLY PREJUDGES DECISIONS NOT YET MADE IN C-20. (NOTE THAT THE FIRST OUTLINE OF REFORM SAYS "IF THESE ARRANGEMENTS WERE TO INCLUDE A LINK BETWEEN DEVELOPMENT ASSISTANCE AND SDR ALLOCATION . . .")

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10. OUR REDRAFT OF PARA 10 MERELY SIMPLIFIES AND AVOIDS IMPLICATION THAT ADDITIONAL SDR ALLOCATION NEEDED AT PRESENT TIME, WHICH HAS NOT BEEN GENERALLY AGREED. WE COULD ACCEPT OTHER LANGUAGE THAT CLEARLY REFERS TO WAY SYSTEM WILL OPERATE IN FUTURE AND DOES NOT CALL FOR ADDITIONAL LIQUIDITY CREATION NOW.

11. PARA 11 SHOULD AVOID IMPLICATION THAT SPECIFIC

AGREEMENT HAS BEEN REACHED ON THIS ISSUE, SHOULD INCLUDE WORDS "WHEREVER POSSIBLE" AS IN PARA 17 OF FIRST OUTLINE OF REFORM. ALSO NOTE THAT PARA 17 OF FIRST OUTLINE IS NOT RESTRICTED TO CONTROLS APPLIED BY DEVELOPED COUNTRIES, AS IN DRAFT RESOLUTION.

12. PARA 12 DESCRIBES BROADER TERMS OF REFERENCE FOR TECHNICAL GROUP THAN GENERALLY AGREED TO. ISSUE OF BROAD TERMS OF REFERENCE WAS DISCUSSED IN FIRST MEETING OF TECHNICAL GROUP, AND IT WAS AGREED TO REFER QUESTION BACK TO C-20 FOR RESOLUTION. DRAFT RESOLUTION CLEARLY PREJUDGES THIS ISSUE.

13. REF D. GIVES BACKGROUND ON IMF MEETINGS INCLUDING TEXT OF FIRST OUTLINE OF REFORM. KISSINGER

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